



Silverwood Dairies, Limited
1967 Annual Report

For the year ended March 31, 1967



Silverwood Dairies, Limited

1967 Annual Report

for the year ended March 31, 1967

The sixty-fourth year of our Canadian-owned company. Of our 4941 shareholders 98.3% reside in Canada and own 99.5% of the total stock.

Head Office : 75 Bathurst Street, London, Ontario

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Financial Highlights *for the Year Ended March 31*



	1967	% ON SALES	1966	% ON SALES
SALES	\$90,790,724	100.0	\$61,956,835	100.0
NET PROFIT PER CLASS "A" AND CLASS "B" SHARE ISSUED AT MARCH 31	\$ 1,731,052 \$1.29	1.9	\$ 1,559,984 \$1.18	2.5
DIVIDENDS PAID RATE PER CLASS "A" AND CLASS "B" SHARE	\$ 1,070,570 \$.80	1.2	\$ 991,413 \$.77½	1.6
EARNINGS RETAINED IN BUSINESS FOR YEAR	\$ 660,482	.7	\$ 568,571	.9
EARNINGS RE-INVESTED IN BUSINESS TO DATE	\$10,886,371		\$10,275,904	
SHARES OUTSTANDING CLASS "A" CLASS "B"	903,153 441,212		878,451 441,212	
BONDS AND DEBENTURES OUTSTANDING	\$10,000,000		\$ 1,037,500	
DEPRECIATION	\$ 2,048,584		\$ 1,563,013	
WORKING CAPITAL	\$ 7,700,429		\$ 2,509,365	

Officers

E. G. SILVERWOOD Honorary Chairman of the Board	J. H. GILLIES Chairman of the Board and Chief Executive Officer	T. L. DAVIES President	N. E. KAYE Vice-President Dairy Operations	H. T. SPETTIGUE Vice-President Production	L. R. GRAY Secretary-Treasurer
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Executive Committee

J. H. GILLIES Chairman	L. R. GRAY Secretary	T. L. DAVIES	N. E. KAYE	H. T. SPETTIGUE
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Transfer Agent/Registrar

The Canada Trust Company, Toronto

Auditors

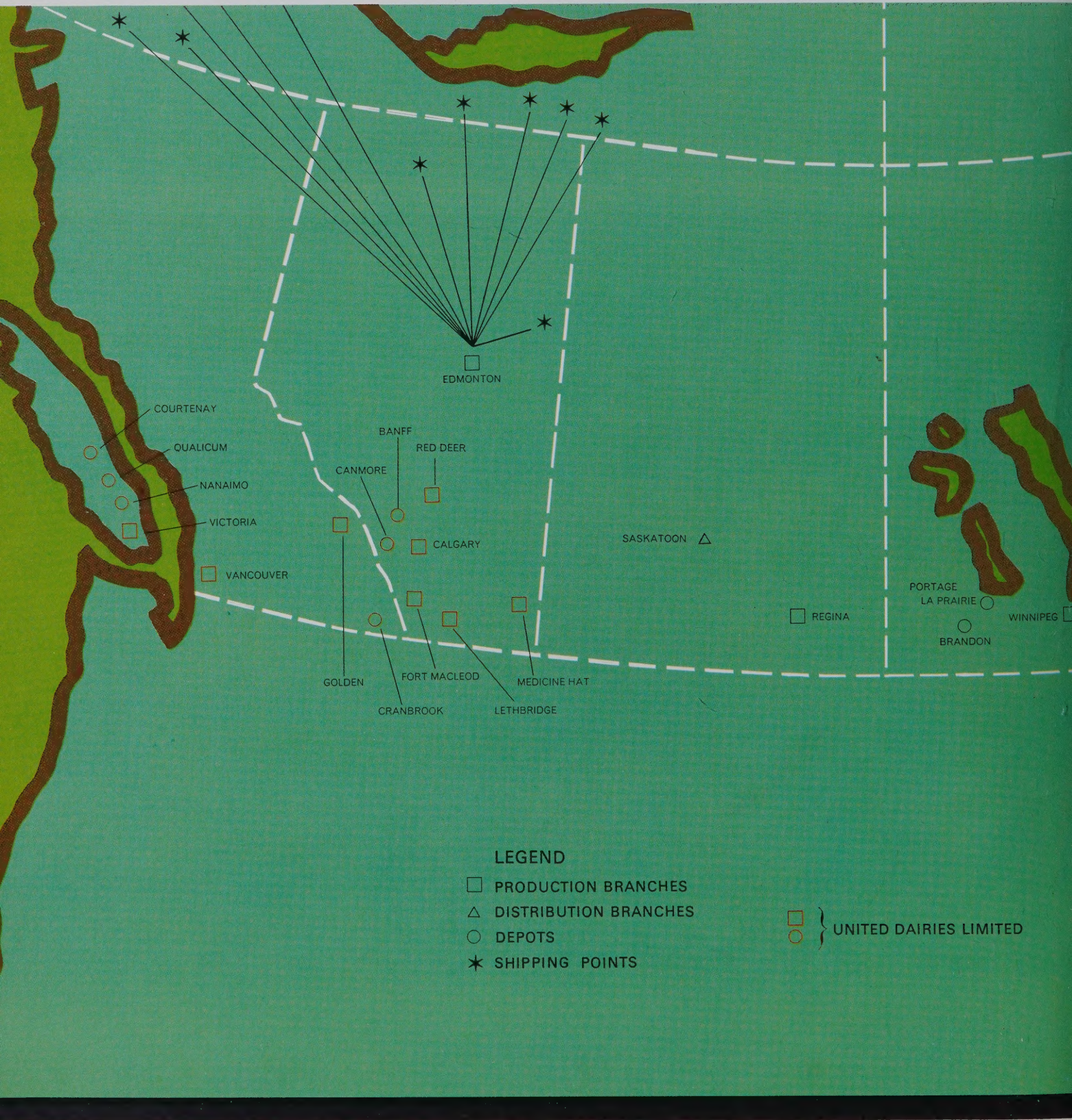
Clarkson Gordon & Co., Chartered Accountants



Directors (Reading left to right by columns)

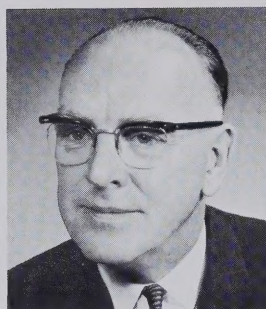
L. R. GRAY Secretary-Treasurer London	G. M. CARLYLE President United Dairies Ltd. Calgary, Alberta	E. G. SILVERWOOD Honorary Chairman of the Board London	H. T. SPETTIGUE Vice-President Production London
T. L. DAVIES President London	N. E. KAYE Vice-President Dairy Operations London	E. A. PAULGER Formerly of Paulger's Blantyre Dairy Ltd. Toronto	J. A. CAULDER Formerly Chairman of the Board Silverwood Western Dairies Limited Toronto
F. W. P. JONES Professor, Business Administration University of Western Ontario London	J. H. GILLIES Chairman of the Board and Chief Executive Officer London	A. E. LAWRENCE, SR. Vice-President Moore Smyth Willis Ltd. London	J. ALLYN TAYLOR President and General Manager Canada Trust-Huron & Erie London
E. B. NELLES Formerly Managing Director London			R. G. IVEY, Q.C. Counsel, Ivey & Dowler London

Silverwood Dairies' Widespread Organization





To Our Shareholders *London, Canada. May 17, 1967*



J. H. Gillies
Chairman of the Board



Trevor L. Davies
President

The consolidated financial statements for the year ended March 31, 1967 include twelve months' operations of United Dairies Limited in the Provinces of Alberta and British Columbia, continuing as a subsidiary company, and the business acquired from Findlay Kemp Dairies Limited in Toronto, Ontario, which has been merged with the several branches of Silverwood Dairies in that city. As both of these additions were made late in the previous fiscal year, their first full year of operation, together with other lesser acquisitions mentioned later herein, added substantially to the company's constantly increasing volume of business.

Sales and Earnings:

Sales reached an all time high of \$90,790,724 (1966—\$61,956,835), an increase over the previous year of \$28,833,889 being 46.5%.

Consolidated net profit after taxes was \$1,731,052 (1966—\$1,559,984), an increase over last year of \$171,068 being 11%.

Net profit per share on our combined Class "A" and "B" shares was \$1.29 (1966—\$1.18).

Net profit per dollar of sales was 1.9% (1966—2.5%). This decline in earnings per dollar of sales was caused by constantly increasing costs of product, wages and a long list of supplies and services required in the operation of a dairy business, and has been further influenced by an

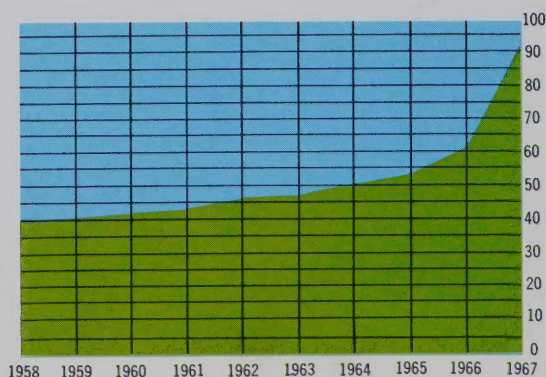
accelerated movement of sales of milk into the 3 quart container which provides considerably lower sales return, resulting in a lower margin of profitability.

We are meeting this situation by an expanded marketing effort and by effecting all possible economies in operation. Product cost is beyond the control of the company as the cost of milk used is established directly or indirectly by the Federal or Provincial authorities. We are moving as rapidly as possible towards a programme of centralization of production and accounting. Our new ice cream manufacturing plant in London, Ontario, is now in operation and will increase the efficiency of that particular department. The story of this development is given on page 22 of this report.

New Financing:

Under date of July 5, 1966 your company issued 6% Sinking Fund Debentures Series "A", maturing July 5, 1986 for the principal sum of \$10,000,000. The net proceeds of this issue were used for the redemption of all outstanding 4% General Mortgage Bonds and 5¼% Convertible Sinking Fund Debentures, to finance the cost of completing the new ice cream facilities at London, Ontario, to reimburse the company for expenditures with respect to the balance of the purchase price of Findlay Kemp Dairies Limited, and to augment the working capital of the company.

Sales
IN MILLIONS
OF DOLLARS





Working Capital:

Our working capital at March 31, 1967 was \$7,700,429 (1966—\$2,509,365), an improvement of \$5,191,064.

Fixed Assets:

The gross book value of capital assets was \$39,813,377 (1966—\$35,918,696). Accumulated depreciation was \$20,054,375 (1966—\$18,696,750), being 52.8% of depreciable assets.

Net capital expenditures during the year totalled \$4,601,419 (1966—\$3,506,226) caused in the main by the building of the new ice cream plant, the renovation of our Kitchener plant, the construction of a depot in Stratford, the extension of Head Office facilities and the acquisitions listed below.

Acquisitions:

During the period covered, we purchased several smaller dairies, the more important being:

Shephard's Dairy Limited	Victoria, B.C.
Hillside Dairy	Vancouver, B.C.
Hazelwood-Hillside Ice Cream	Vancouver, B.C.
Glover's Dairy Limited	Chatham, Ontario
Hurl's Dairy Limited	Orillia, Ontario
The Ice Cream Division of the United Dairy and Poultry Co-Operative Limited	Renfrew, Ontario
Mark Ayres Dairy Limited	London, Ontario

We also are processing and bottling milk for several independent dairies on a franchise agreement and expect to do more of this type of business in the future as it is an arrangement which is attractive to both parties.

Dividends and Retained Earnings (Earned Surplus):

Dividends totalling 80¢ per share (1966—77½¢) were paid on both the Class "A" and Class "B" stock. Total dividends were \$1,070,570 (1966—\$991,413), up \$79,157 due to the increase in the rate of dividends effective October 1, 1965 and to additional Class "A" shares issued during the year.

Consolidated earned surplus at March 31, 1967 stood at \$10,886,371 (1966—\$10,275,904). Your company distributed 61.8% (1966—63.6%) of net earnings as dividends and reinvested 38.2% (1966—36.4%) in the business.

Bonds and Debentures:

During the year the company redeemed \$639,500 of 4% General Mortgage Bonds due July 2, 1971 (sinking fund payments \$150,000 per annum) and called for redemption \$398,000 of 5¼% Convertible Sinking Fund Debentures due July 2, 1972 (sinking fund payments \$100,000 per annum). Of these debentures, \$295,500 were converted into Class "A" shares and the balance of \$102,500 redeemed for cash.

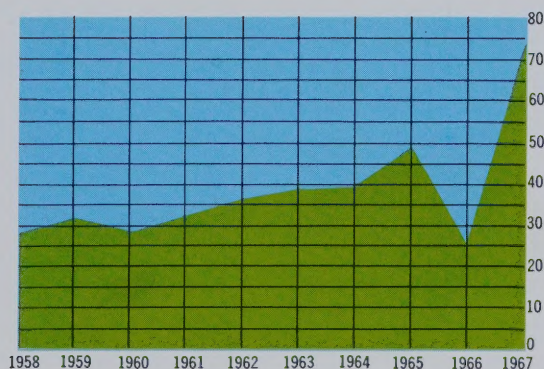
A new issue of \$10,000,000 of 6½% Sinking Fund Debentures Series "A" was created to mature July 5, 1986. The sinking fund requirements of this issue are \$400,000 per annum commencing July 5, 1968. These debentures are non-callable for the first twelve years.

Capital Stock:

Silverwood Dairies, Limited: During the year 24,702 shares of Class "A" stock of Silverwood

Working Capital

IN HUNDRED THOUSAND DOLLARS



To Our Shareholders *(Continued)*

Dairies, Limited were issued, 24,666 in exchange for 5¼% Convertible Sinking Fund Debentures and 36 in connection with the offer to the few remaining shareholders of United Dairies Limited.

United Dairies Limited: All of the 1,886 shares (\$188,600) of 5% cumulative redeemable Class "A" preferred stock of United Dairies Limited were retired in January 1967. Of the 50,000 common shares outstanding, all but 94 shares are now owned by Silverwood Dairies, Limited.

Disposition of Income		
\$62,946,622	Producers, Suppliers, and Other Expenses	69.0%
20,536,637	Wages	22.5%
1,593,677	Employee Benefits	1.7%
2,048,584	Depreciation	2.3%
552,219	Bond Interest	.6%
1,785,858	Income Taxes	2.0%
1,080,388	Dividends	1.2%
668,876	Retained in Business	.7%
91,212,861	Total Income	100.0%

Changes in Officers and Directors:

It is with deep regret that we record the death on June 25, 1966 of Mr. M. R. McCrea who, for several years, was Managing Director and latterly Executive Vice-President of the company. He was prominent in the dairy industry across Canada, and had served as President of the National Dairy Council. He made an important contribution to the development of our organization, and will be greatly missed.

Mr. H. G. Stapells, O.C., who retired as a director a year ago, passed away on October 31, 1966. His wise counsel was most helpful and appreciated during his long period of service on the board.

After 42 years of dedicated service to the company, Mr. E. G. Silverwood resigned as Chairman of the Board on December 15, 1966 and was elected Honorary Chairman. We are sure that all our shareholders will join in expressing our gratitude for his leadership and our congratulations for the fine record made by the company under his guidance. All of us extend our best wishes to him for many years of good health and happiness.

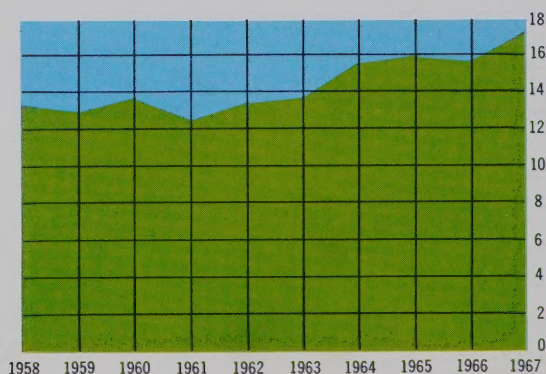
In his place your directors elected Mr. J. H. Gillies as Chairman of the Board and Chief Executive Officer, and Mr. T. L. Davies to replace him as President. Mr. N. E. Kaye and Mr. H. T. Spettigue were elected Vice-Presidents.

Mr. F. W. P. Jones and Mr. G. M. Carlyle were elected directors to replace Mr. M. R. McCrea, deceased, and Mr. R. G. Peat, retired. Mr. Jones was formerly Dean of the School of Business Administration, University of Western Ontario, and is presently a professor in that school and a director of many Canadian companies. Mr. Carlyle is the President of United Dairies Limited, Calgary, Alberta. He has been prominent in international dairy circles for many years and has served in many capacities in various trade and civic organizations.

Annual Report Competition:

Our 1966 Annual Report was rated the second best "Annual Report to Shareholders" in the classification "Dairy Products" in the competition conducted each year by the Financial World of

Net Profit After Income Taxes
IN HUNDRED THOUSAND DOLLARS





New York. This is the highest standing we have yet attained and is the seventeenth consecutive Silverwood report to receive an award therein.

We also received top award for the best report in Canada in the competition conducted by The Financial Post of Toronto, in the classification "Retailing and Distribution".

New Developments:

Your company is continually looking for opportunities for diversification. During 1966 we produced the first aseptically packaged pure orange juice in Canada. It is being manufactured at one of our Toronto plants under an agreement with Salada Foods Limited.

Instant Coffee, Instant Chocolate and Soft Margarine were added to the line of products handled by your company and are being sold to our wholesale and home service customers.

A completely new line of ice cream cartons has been developed with matching designs for pint and half-gallon containers. The half-gallons now have the convenient zipper opening and the easily reclosable feature.

A new depot was built at Stratford, Ontario, to replace the building which had been used for many years and which had become inadequate to accommodate the volume of sales developed in that city. Milk sold through the new depot is processed and bottled in our plant in Kitchener, Ontario, in line with our programme of the centralization of production.

The growth of your company during the past few years has added greatly to the administrative duties of your Head Office staff. In order to deal with this problem, the Ontario branches have been grouped into two divisions, Eastern and Central,

with a general manager in charge of each. It is intended that the divisional concept will be extended to include the branches in Western Canada at the appropriate time.

Canada's 100th Birthday:

The company's 64th birthday will be celebrated during Canada's Centennial Year. While Silverwood Dairies, Limited cannot claim to be as old as Confederation, nevertheless it has been in existence for a large part of Canada's first 100 years. Originally it was an Ontario based company but during the years it has expanded from the Quebec border to the Pacific coast, and can rightfully be called a national organization. We are particularly proud that 99.5% of the total stock of the company is owned by Canadians.

Appreciation:

At the time of our 60th anniversary in 1963, our employees numbered 2,500. On account of our expanding business, they now number over 4,000. We are grateful for their loyalty and efficient services at all times.

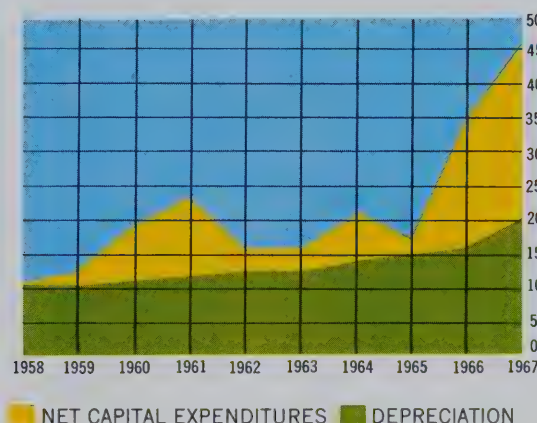
In conclusion we wish to thank our customers, suppliers and shareholders for their interest and co-operation in the continued development of our organization.

Chairman of the Board

President

Net Capital Expenditures and Depreciation

IN HUNDRED THOUSAND DOLLARS



NET CAPITAL EXPENDITURES DEPRECIATION

Consolidated Balance Sheet, March 31, 1967

SILVERWOOD DAIRIES, LIMITED (Incorporated under the laws of Ontario)
and its subsidiary companies (with comparative amounts at March 31, 1966)

Assets

	March 31, 1967	March 31, 1966
Current:		
Cash	\$ 1,609,009	\$ 1,361,813
Short term deposits with banks	250,000	205,515
Marketable securities—at cost (market value at March 31, 1967— approximately \$3,476,800)	3,540,897	1,117,135
Accounts receivable— Trade accounts (less allowance for doubtful accounts—\$230,807 at March 31, 1967)	4,756,604	3,836,309
Sundry	580,673	400,205
Income taxes recoverable	340,822	
Inventories—at the lower of cost or net realizable value— Dairy products	2,076,418	1,768,998
Stores and supplies	1,999,989	1,932,557
Prepaid expenses	787,677	767,993
	<u>15,942,089</u>	<u>11,390,525</u>
Fixed—substantially at cost:		
Land	1,840,358	1,722,299
Buildings	9,819,255	8,858,062
Machinery and equipment	13,873,336	12,456,377
Merchandising equipment	5,861,272	5,234,960
Delivery equipment	8,419,156	7,646,998
	<u>39,813,377</u>	<u>35,918,696</u>
Less accumulated depreciation	<u>20,054,375</u>	<u>18,696,750</u>
	<u>19,759,002</u>	<u>17,221,946</u>
Sundry:		
5% special refundable tax	170,705	
Deferred expenses and sundry assets	925,275	731,271
Route lists and goodwill—at cost	2,406,896	1,930,960
Expenses in connection with debentures issued, less amortization	344,320	46,736
	<u>3,847,196</u>	<u>2,708,967</u>
On behalf of the Board		
		
Director		
		
Director		
	<u>\$39,548,287</u>	<u>\$31,321,438</u>



Liabilities

	March 31, 1967	March 31, 1966
Current:		
Due to bankers	\$ 1,254,605	\$ 898,674
Accounts payable—milk and cream producers	2,844,908	2,528,814
Other accounts payable and accrued charges	3,532,063	3,306,383
Balance due under purchase agreement		1,064,816
Employees' tax deductions and realty taxes payable	231,545	679,866
Dividends payable April 1	268,765	263,770
Principal instalments on mortgages, notes and deferred accounts payable due within one year	109,774	138,837
	<u>8,241,660</u>	<u>8,881,160</u>
Mortgages, notes and deferred accounts payable (see note 2)	<u>345,957</u>	<u>1,913,296</u>
Bonds and debentures payable (see note 3)	<u>10,000,000</u>	<u>1,037,500</u>
Accumulated tax reductions applicable to future years (see note 4)	<u>2,625,377</u>	<u>1,849,958</u>
Minority interest in subsidiary companies	<u>107,684</u>	<u>318,941</u>
Capital (see note 5):		
Class "A" shares without par value entitled to cumulative, preferential dividends of 60¢ per share per annum, payable quarterly, and after the Class "B" shares have received 60¢ per share in any one year to fur- ther participation rateably with Class "B" shares; entitled in liquidation to a priority of \$15 per share—		
Class "B" shares without par value—		
	Class "A"	Class "B"
Authorized	<u>1,000,000 shs.</u>	<u>500,000 shs.</u>
Issued at March 31, 1967	<u>903,153 shs.</u>	<u>441,212 shs.</u>
	<u>7,341,238</u>	<u>7,044,679</u>
Consolidated earned surplus (see note 6)	<u>10,886,371</u>	<u>10,275,904</u>
	<u>18,227,609</u>	<u>17,320,583</u>
The attached "Notes to the Consolidated Financial Statements" on the following pages should be read together with this statement.	<u>\$39,548,287</u>	<u>\$31,321,438</u>

Statement of Consolidated Profit and Loss

Year ended March 31, 1967 (with comparative amounts for 1966)

	Year ended March 31, 1967	Per- centage	Year ended March 31, 1966	Per- centage
Sales	\$90,790,724	100.0%	\$61,956,835	100.0%
Less:				
Cost of material and production expense	\$61,497,557	67.7	\$41,346,415	66.8
Selling, administrative and general ex- pense (x)	23,598,040	26.0	16,049,699	25.9
Depreciation	2,048,584	2.3	1,563,013	2.5
	<u>87,144,181</u>	<u>96.0</u>	<u>58,959,127</u>	<u>95.2</u>
	3,646,543	4.0	2,997,708	4.8
Miscellaneous revenue	179,347	.2	155,785	.3
Operating profit	<u>3,825,890</u>	<u>4.2</u>	<u>3,153,493</u>	<u>5.1</u>
Add:				
Investment income	179,235	.2	89,453	.2
Profit on sale of fixed assets and invest- ments	63,555	.1	21,405	
Profit on redemption of bonds			2,770	
	<u>242,790</u>	<u>.3</u>	<u>113,628</u>	<u>.2</u>
	4,068,680	4.5	3,267,121	5.3
Deduct interest on bonds and debentures	552,219	.6	59,680	.1
Net profit before taxes on income	<u>3,516,461</u>	<u>3.9</u>	<u>3,207,441</u>	<u>5.2</u>
Taxes on income (see note 4)	1,785,858	2.0	1,645,526	2.7
Consolidated net profit before minority interest	<u>1,730,603</u>	<u>1.9</u>	<u>1,561,915</u>	<u>2.5</u>
Minority interest in profits or (losses) of sub- sidiary companies (net)	(449)		1,931	
Consolidated net profit for the year (see note 1)	<u>\$ 1,731,052</u>	<u>1.9%</u>	<u>\$ 1,559,984</u>	<u>2.5%</u>

(x) Including aggregate remuneration to directors and senior officers of the company: 1967, \$209,050, 1966, \$190,132.

The attached "Notes to the Consolidated Financial Statements" on the following pages should be read together with this statement.

Statement of Consolidated Earned Surplus

Year ended March 31, 1967 (with comparative amounts for 1966)



	Year ended March 31, 1967	Year ended March 31, 1966
Balance at beginning of year.....	\$10,275,904	\$ 9,082,173
Add:		
Consolidated net profit for the year (see note 1).....	1,731,052	1,559,984
Amortization of route list costs provided in prior years and now reversed.....		625,160
	<u>12,006,956</u>	<u>11,267,317</u>
Deduct:		
Dividends declared on Silverwood Dairies, Limited shares—		
Class "A"—80¢ per share (1966—77½¢).....	717,602	649,473
Class "B"—80¢ per share (1966—77½¢).....	352,968	341,940
Unamortized discount and other expenses incurred on bonds redeemed.....	50,015	
	<u>1,120,585</u>	<u>991,413</u>
Balance at end of year.....	<u>\$10,886,371</u>	<u>\$10,275,904</u>

Auditors' Report

To the Shareholders of
Silverwood Dairies, Limited.

We have examined the consolidated balance sheet of Silverwood Dairies, Limited and its subsidiaries as at March 31, 1967 and the statements of consolidated profit and loss, earned surplus and working capital for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned financial statements present fairly the financial position of the companies as at March 31, 1967, the results of their operations and the changes in their working capital position for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.

Chartered Accountants.

London, Canada.
May 15, 1967.

1. PRINCIPLES OF CONSOLIDATION

The accompanying consolidated balance sheet as at March 31, 1967 and as at March 31, 1966 includes the assets and liabilities of United Dairies Limited and its subsidiaries together with appropriate provision for the interest of minority shareholders. The attached statement of consolidated profit and loss for the year ended March 31, 1967 includes the

operating results of United Dairies Limited and its subsidiaries for the year ended on that date. The comparative profit and loss figures shown for 1966 includes the accounts of subsidiaries acquired and business purchased only for the period from the date of purchase to March 31, 1966.

2. MORTGAGES, NOTES AND DEFERRED ACCOUNTS PAYABLE

Details of this amount are as follows:

(a) issued by Silverwood Dairies, Limited:	
5½% mortgage, repayable in annual instalments of \$15,400.....	\$ 46,200
(b) issued by subsidiary companies:	
First mortgages payable.....	\$197,650
Equipment contracts payable (secured).....	25,937
Deferred accounts and notes payable.....	185,944
	<u>409,531</u>
Total	455,731
Less amounts due within one year.....	109,774
	<u>\$345,957</u>

3. DEBENTURES PAYABLE

Particulars of the debentures payable are as follows:

	Original authorization July 5, 1966	Outstanding March 31, 1967
6½% sinking fund debentures Series A, due July 5, 1966 (sinking fund payment of \$400,000 per annum required beginning July 5, 1968).....	<u>\$10,000,000</u>	<u>\$10,000,000</u>
On July 7, 1966 the company redeemed \$639,500 of its 4% general mortgage bonds, which amount represented all of the general mortgage bonds outstanding as at that date. In addition the \$398,000 of 5¼% convertible sinking fund debentures outstanding on that date were redeemed or converted to Class "A" common shares (see also note 5).		

4. ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS

The income taxes actually payable in respect of the year have been estimated at \$1,010,439. The difference of \$775,419 between this and the taxes charged to profit and loss results from claiming capital cost allowances for tax purposes in excess of depreciation recorded in the accounts of the companies.

This difference is applicable to those future periods in which the amounts claimed for tax purposes may be less than the depreciation recorded in the accounts and is accordingly included in the item "Accumulated tax reductions applicable to future years" in the attached consolidated balance sheet. This item also includes similar reductions aggregating \$1,849,958 in respect of prior years.

5. CAPITAL STOCK

Changes in issued shares during the year ended March 31, 1967 were as follows:

	Class "A"	Class "B"	Book value
Issued March 31, 1966.....	878,451 shares	441,212 shares	\$7,044,679
Add issued during year:			
As consideration for the purchase of shares of United Dairies Limited.....	36		567
In exchange for 5¼% debentures with a par value of \$295,500 (note).....	24,666		295,992
Issued March 31, 1967.....	<u>903,153 shares</u>	<u>441,212 shares</u>	<u>\$7,341,238</u>

Note: In accordance with the terms of the debenture issue, debenture holders contributed an additional \$492 to eliminate fractional shares arising on conversion.

In addition to the capital stock issued at March 31, 1967, additional Class "A" shares were reserved as follows:

For issue under the offer to purchase shares of United Dairies Limited..... 94 shares



6. RESTRICTIONS ON PAYMENT OF DIVIDENDS

Under the provisions of the Trust Indenture securing the 6% sinking fund debentures, the company cannot declare or pay any dividends (other than stock dividends and dividends at the rate of .60¢ per share per annum on the outstanding Class "A" shares of the company) when:

(a) consolidated net current assets (as therein defined) of

the company and its subsidiaries are less than, or would thereby be reduced to less than \$2,500,000, and

(b) the consolidated earned surplus of the company and its subsidiaries will not be less than the lesser of 75% of the principal amount of all funded obligations of the company and its subsidiaries or \$7,500,000.

Statement of Consolidated Working Capital

Year ended March 31, 1967

During the year there was an increase of \$5,191,064 in consolidated working capital as shown below:

	March 31, 1967	March 31, 1966	Increase or (decrease)
Current assets.....	\$15,942,089	\$11,390,525	\$4,551,564
Current liabilities.....	8,241,660	8,881,160	(639,500)
Working capital.....	<u>\$ 7,700,429</u>	<u>\$ 2,509,365</u>	<u>\$5,191,064</u>

This increase arose from funds provided in excess of funds expended as follows:

Funds provided:

1. From operations.....		4,587,334	
Consisting of—			
Consolidated net profit for the year (see note 1).....	1,731,052		
Charges deducted in arriving at the above profit but which did not represent an outlay of funds:			
Depreciation, amortization and other charges.....	2,080,863		
That portion of the income tax provision for the year not immediately payable (see note 4).....	775,419		
	<u>4,587,334</u>		
2. From issue of Class "A" shares (see note 5).....		1,059	
3. From issue of 6% sinking fund debentures (see note 3).....	10,000,000		
Less expenses incurred in connection with the issue.....	357,820	9,642,180	\$14,230,573

Funds expended:

1. On additions to the company's plant and equipment (net).....		4,601,419	
2. To provide for dividends to shareholders.....		1,070,570	
3. On the purchase of route lists.....		476,626	
4. On payment of 5% special refundable tax.....		170,705	
5. On retirement of bonds and debentures (see note 3).....		748,279	
6. On decrease in deferred notes and mortgages payable (see note 2)...		1,567,339	
7. Decrease in minority interest in subsidiaries (including redemption by a subsidiary company of all its outstanding preferred shares).....		211,257	
8. On increases in sundry assets (net).....		193,314	9,039,509
Resulting in an excess of funds provided over funds expended of.....			<u>\$ 5,191,064</u>

Ten Year Comparative Summary

YEAR ENDED MARCH 31	1967	1966	1965	1964
SALES	\$90,790,724	\$61,956,835	\$53,512,422	\$51,914,441
PROFIT BEFORE INCOME TAXES	\$ 3,516,461	\$ 3,207,441	\$ 3,375,590	\$ 3,301,971
PERCENTAGE OF SALES	3.9%	5.2%	6.3%	6.4%
INCOME TAXES	\$ 1,785,858	\$ 1,645,526	\$ 1,792,000	\$ 1,758,000
NET PROFIT AFTER INCOME TAXES AND MINORITY INTEREST	\$ 1,731,052	\$ 1,559,984	\$ 1,583,590	\$ 1,543,971
PERCENTAGE ON SALES	1.9%	2.5%	3.0%	3.0%
NET PROFIT FOR EACH CLASS "A" and "B" SHARE	\$ 1.29	\$ 1.18	\$ 1.25	\$ 1.25
DIVIDENDS	\$ 1,070,570	\$ 991,413	\$ 882,228	\$ 840,300
PER CLASS "A" SHARE	.80	.77½	.70	.67
PER CLASS "B" SHARE	.80	.77½	.70	.67
EARNINGS RE-INVESTED IN THE BUSINESS	\$ 660,482	\$ 568,571	\$ 701,362	\$ 703,500
PERCENTAGE OF EARNINGS RE-INVESTED	38.2%	36.7%	44.3%	45.6%
CAPITAL INVESTED				
LONG TERM DEBT	\$10,000,000	\$ 1,037,500	\$ 1,124,500	\$ 1,563,000
SHAREHOLDERS' EQUITY	\$18,227,609	\$17,320,583	\$15,254,797	\$14,415,900
TOTAL	\$28,227,609	\$18,358,083	\$16,379,297	\$15,978,900
PERCENTAGE OF SHAREHOLDERS' EQUITY TO TOTAL INVESTMENT	64.6%	94.3%	93.1%	90.3%
SHAREHOLDERS' EQUITY PER SHARE	\$ 13.56	\$ 13.12	\$ 12.07	\$ 11.00
WORKING CAPITAL	\$ 7,700,429	\$ 2,509,365	\$ 4,880,322	\$ 3,993,400



1963	1962	1961	1960	1959	1958
18,017,229	\$45,642,340	\$43,405,231	\$43,141,870	\$42,291,091	\$40,276,928
2,913,910	\$ 2,803,628	\$ 2,559,031	\$ 2,752,175	\$ 2,495,272	\$ 2,436,081
6.1%	6.1%	5.9%	6.4%	5.9%	6.1%
1,513,000	\$ 1,470,000	\$ 1,324,000	\$ 1,416,000	\$ 1,225,000	\$ 1,165,000
1,400,910	\$ 1,333,628	\$ 1,235,031	\$ 1,336,175	\$ 1,270,272	\$ 1,271,081
2.9%	2.9%	2.9%	3.1%	3%	3.2%
1.14	\$ 1.12	\$ 1.11	\$ 1.21	\$ 1.17	\$ 1.19
735,464	\$ 695,704	\$ 666,891	\$ 659,509	\$ 647,298	\$ 640,008
.60	.60	.60	.60	.60	.60
.60	.60	.60	.60	.60	.60
665,446	\$ 637,924	\$ 568,140	\$ 676,666	\$ 622,974	\$ 631,073
47.5%	47.8%	46%	50.6%	49%	49.6%
1,839,500	\$ 2,549,000	\$ 2,811,000	\$ 2,942,000	\$ 3,276,500	\$ 3,623,000
13,473,744	<u>\$12,388,885</u>	<u>\$10,975,516</u>	<u>\$10,268,552</u>	<u>\$ 9,336,440</u>	<u>\$ 8,598,621</u>
5,313,244	\$14,937,885	\$13,786,516	\$13,210,552	\$12,612,940	\$12,221,621
88%	82.9%	80%	77.7%	74%	70.4%
10.94	\$ 10.37	\$ 9.82	\$ 9.31	\$ 8.62	\$ 8.02
3,963,821	\$ 3,614,882	\$ 3,218,244	\$ 2,935,337	\$ 3,200,067	\$ 2,838,159

Silverwood's Dairy Products





Silverwood's Dairy Products





New Ice Cream Plant



E. G. Silverwood pressing button to start the refrigeration system for the first time.

One of Canada's most modern ice cream plants began operations in London, Ontario, on December 15, 1966. This new building, within a few feet of Ontario's Macdonald-Cartier Freeway (Highway 401), is the first of three stages of development planned for the next few years to revolutionize ice cream production and handling for Silverwood's.

This plant uses the most up-to-date techniques in ice cream manufacture, including a "roller bed" situated in the overhead freezing tunnel for hardening the ice cream, palletizing ice cream in the storage room, and the use of fork lift trucks so the ice cream may be stored to a height of 24 feet.

The ice cream mix is still being made at Silverwood's plant in downtown London and moved by tank trucks to the new building where it is pumped into three 4,000 gallon storage tanks. These extend through the wall with the major portion exposed to outside temperature. Refrigerating units, located outside the building and on the tanks, keep the mix at the proper temperature. Eventually, the mix operation and balance of the ice cream manufacturing still being conducted in the downtown buildings will be included in a later stage of this building.

From the storage tanks the mix is pumped into flavour tanks where the flavours are added before the mix goes to the three-barrel Vogt freezers, of which there are two units. Each barrel can handle 400 gallons per hour. These are the first units of this design in Canada.

From the freezers the ice cream is fed directly into the automatic packaging lines. The filled packages are automatically heat sealed, over-wrapped in gallon units, then conveyed into the hardening tunnel where they are exposed to a temperature of about 45° below zero and a

thirty mile-an-hour wind, creating a chill factor of close to 75° below zero.

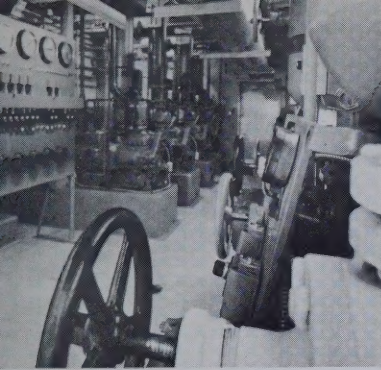
In the hardening tunnel is a Holland roller-bed 110 feet long and 40 feet wide which will hold a full day's production of ice cream. As new products come onto the bed, the ice cream moves automatically to the far end of the room where it is discharged onto a conveyor which takes it to the palletizing room.

The pallets are placed on lift tables which adjust automatically as they are loaded. This permits the operator to work continuously at the same elevation. They start loading the pallet with the table in the full lift position and as the packages are placed on the pallet the operator will lower the table gradually by means of an electric switch. The total height of a loaded pallet is about 66 inches. Infrared lamps are arranged over the heads of the operators, permitting them to work in a slightly higher temperature than the rest of the room.

The pallets are moved by lift trucks to the warehouse area where up to 300,000 gallons of ice cream can be stored at 20° below zero.

From this new London plant, over 250 varieties of packages, in many flavours, are distributed to Silverwood branches. Lift trucks take the ice cream-filled pallets from their storage racks directly into refrigerated trucks for their rapid journey to other cities where they are unloaded into branch storage rooms. Local deliveries are made by smaller refrigerated trucks to a wide variety of stores, restaurants and other accounts.

The London operation distributes to branches from Windsor to Toronto. Eastern and Northern Ontario look to our Peterborough branch for their ice cream. Branches in Western Canada produce their own ice cream to similar standards.



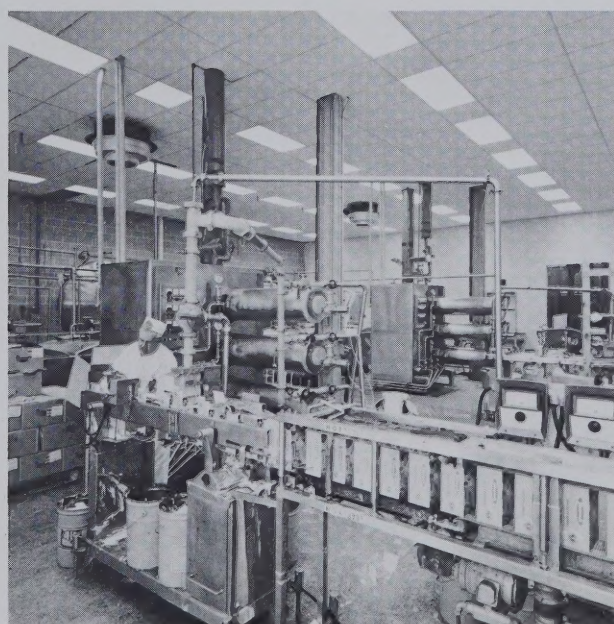
The main engine room with control panel at left and compressors on the right.



The roller bed well filled with half-gallon ice cream packages at a fast freezing temperature.



Over 300,000 gallons can be stored on pallets in this well-organized cold storage area.



The automatic packaging equipment in foreground, with the three-barrel freezers in the background.

